

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE  
Transcriber's Office  
FLOOR DEBATE

February 26, 2002 LB 600

methodology that...most sensitive portion in terms of ultimate values in the methodology that Senator Coordsen is suggesting is, indeed, the cap rate. Hardly anything else matters, or at least it is completely fair to say that nothing else matters as much as the capitalization rate. As the capitalization rate goes up, the determined value goes down; as the capitalization rate goes down, the determined value goes up. It is very sensitive. The ultimate valuation issue is very sensitive to the capitalization rate. Increasing the capitalization rate by 3 percent drives down the values that would be determined significantly. What's the effect of driving down the values? Senator Coordsen says, well, it may not reduce anybody's taxes, and that's certainly true, because it will cause taxes to shift. Now it will cause that to happen, and it may also indeed cause, paradoxically, some people's taxes to increase. But the effect that we should be concerned about is the potential impact on state aid to schools. It's our estimate that the bill, with the committee amendments, would cause an increase in state aid to schools in the magnitude of \$29 million, because it has reduced the aggregate resources that would appear for schools. The amendment that Senator Coordsen is suggesting to you, by allowing the capitalization rate to be increased 3 percent, would increase that cost by \$40 million. So the aggregate cost of the bill, in terms of state aid, if passed with Senator Coordsen's amendment, could be in the neighborhood of \$69 million in state aid. Now I'm not going to tell you it's exactly \$69 million. It might be 68. It might be 58. It might be 45. But the point is that the amendment would significantly increase the state aid cost. Now who would make the decision, who would make the decision to increase the state aid cost? The decision would be made by a board of seven persons. Who are those persons? It's an advisory committee composed of two active farmers, one active rancher, an economics professor, an elected county assessor, an elected county board member, and a county attorney or deputy county attorney. Those folks would have in their hands \$40 million...

SENATOR CUDABACK: One minute.

SENATOR WICKERSHAM: ...of the fiscal policy of the state of Nebraska. I'm unwilling to give seven people, no matter how